THIRTY-SEVENTH

# annual report


## M. LOEB LIMITED

*fiscal year ended January 30, 1965*

# M. LOEB LIMITED

**HEAD OFFICE** 400 Industrial Avenue, Ottawa, Ontario

## DIRECTORS

NORMAN A. LOEB, *Chairman*

CHARLES GAVSIE, C.B.E., Q.C., Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal

BERTRAM LOEB

DAVID B. LOEB

WARD C. PITFIELD, *Vice-President and Director*, W. C. Pitfield & Co., Ltd., Toronto

CLAUDE ROBILLARD, P.Eng., *President*, Fraser-Bruce Engineering Co. Ltd., Montreal

HYMAN SOLOWAY, Q.C., *Senior partner*, Soloway, Wright, Houston, Galligan & McKimm, Ottawa

## OFFICERS

NORMAN A. LOEB, *Chairman of the Board*
BERTRAM LOEB, *President*
A. BOOKMAN, *Vice-President, Sales*
ZAVE M. CLIMAN, C.A., *Vice-President, Finance*
JEROME J. FISCHER, *Vice-President, Meat Operations*
CURTIS B. KERNS, *Vice-President, Perishables*
NORMAN LESH, *Vice-President, Merchandising*
DAVID B. LOEB, *Vice-President and Secretary*
GEORGE W. MORRISON, *Treasurer*
JACK RABINOVITCH, *Vice-President, Retail Operations*

**TRANSFER AGENT AND REGISTRAR** MONTREAL TRUST COMPANY

**BANKERS** ROYAL BANK OF CANADA

**AUDITORS** ARTHUR A. CRAWLEY & CO.

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 400 Industrial Avenue, Ottawa, Ontario at 3:00 p.m. on Monday, May 31, 1965. Shareholders are cordially invited to be present. Those unable to attend are urged to exercise their right to vote by proxy.

# COMPANY GROWTH IN 1964

## HIGHLIGHTS FROM THE FINANCIAL STATEMENTS

| | FISCAL 1964-65 | FISCAL 1963-64 | % INCREASE |
|---|---|---|---|
| Sales | $173,055,271 | $140,396,914 | 23.3 |
| Net income before taxes | $ 3,147,008 | $ 2,211,364 | 42.3 |
| Net income after taxes | $ 1,581,322 | $ 1,094,158 | 44.5 |
| As a percentage of sales | .91% | .78% | 16.7 |
| Per share | $ .63 | $ .45 | 40.0 |
| Dividends paid | $ 249,297 | $ 159,716 | 56.1 |
| Per share | $ .10 | $ .06⅔ | 50.0 |
| Earnings reinvested in business | $ 1,332,025 | $ 934,442 | 42.5 |
| Per share | $ .53 | $ .38⅓ | 38.0 |

### EQUITIES

| | JANUARY 30 1965 | JANUARY 25 1964 |
|---|---|---|
| Shareholders: | | |
| Number of shares | 2,507,385 | 2,426,715 |
| Share capital | $ 2,699,464 | $ 2,140,249 |
| Earnings reinvested in business* | $ 3,511,968 | $ 3,179,943 |
| Total equity | $ 6,211,432 | $ 5,320,192 |
| Debenture holders: | | |
| Debentures outstanding | $ 2,125,000 | $ 2,250,000 |

*After $1,700,000 write off of cost of intangible assets of subsidiaries, of which $1,000,000 was recorded in the current fiscal year and $700,000 was recorded in the 1963-64 fiscal year.

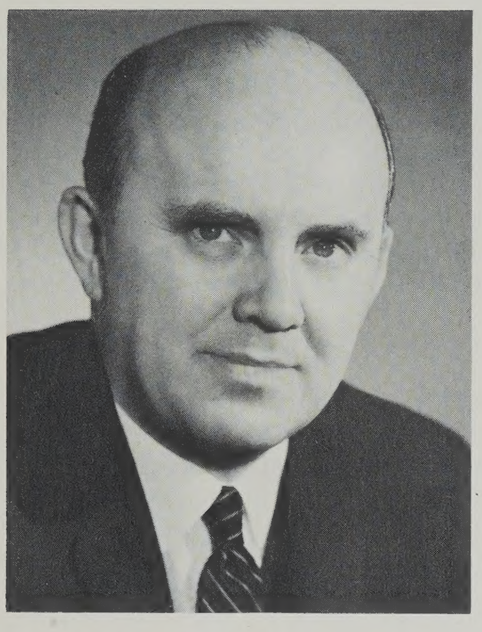
# THE LAST TEN YEARS

## A SUMMARY OF COMPANY OPERATING RESULTS

| Fiscal Year Ended | Sales | Gross Profit | Depreciation | Amortization | Income Taxes | Net Income After Taxes | *Working capital generated through profitable operations | Dividends Paid |
|---|---|---|---|---|---|---|---|---|
| **Jan. 30 1965** | **$173,055,271** | **$10,963,307** | **$343,702** | **$116,729** | **$1,565,686** | **$1,581,322** | **$2,053,323** | **$249,297** |
| Jan. 25 1964 | 140,396,914 | 9,361,207 | 263,910 | 137,745 | 1,117,206 | 1,094,158 | 1,450,243 | 159,716 |
| Jan. 19 1963 | 102,572,754 | 6,798,549 | 176,145 | 117,592 | 828,766 | 755,140 | 949,560 | 158,870 |
| Jan. 13 1962 | 81,648,563 | 5,497,956 | 162,422 | 115,630 | 608,508 | 567,125 | 571,202** | 155,500 |
| Jan. 7 1961 | 64,040,802 | 4,951,343 | 155,135 | — | 541,800 | 516,385 | 687,010 | 152,160 |
| Dec. 31 1959 | 50,841,761 | 3,561,283 | 101,960 | — | 417,500 | 397,401 | 511,321 | 76,080 |
| Dec. 31 1958 | 36,912,871 | 2,097,051 | 105,719 | — | 268,000 | 269,755 | 375,474 | — |
| Dec. 31 1957 | 31,894,087 | 1,833,705 | 73,733 | — | 202,882 | 212,402 | 286,135 | — |
| Dec. 31 1956 | 27,554,121 | 1,319,077 | 73,739 | — | 138,960 | 147,580 | 221,319 | — |
| Dec. 31 1955 | 17,880,126 | 1,011,626 | 42,300 | — | 66,059 | 87,277 | 129,577 | — |

*Net income for the year, before depreciation, amortization and other charges not affecting working capital, after deduction of income taxes actually levied before any adjustment of accumulated tax reductions applicable to future years.

**After deduction of $463,609 representing charges of a promotional and development nature, incurred in the fiscal year ended January 13, 1962, but partly deferred in the accounts as at the year end date.



BERTRAM LOEB, President

# DIRECTORS' REPORT

## TO THE SHAREHOLDERS

We are pleased to report on the operations of M. Loeb Limited and all of its subsidiaries for the 53-week period ended January 30, 1965. All comparisons are with the preceding 53-week period ended January 25, 1964.

### Operating Results

For the 51st consecutive year, sales and earnings reached all-time highs. Consolidated sales for the year totalled $173,055,271, an increase of $32,658,357 or 23% over the preceding year's sales of $140,396,914. Net profits after taxes totalled $1,581,322 compared with $1,094,158 for the preceding year, an increase of $487,164 or 45%. On a per share basis, earnings amounted to 63¢ per share on 2,507,385 shares outstanding compared with 45¢ per share for the preceding year on 2,426,715 shares outstanding after allowing for the stock split. As a percentage of sales, consolidated earnings increased to .91% of sales from .78% in the preceding year, considerably above the North American average for grocery wholesalers of .63%.

### Expansion

Expansion continued in all divisions of the company during the year. 22 new IGA Foodliners were opened by affiliated retailers and 47 stores were expanded or remodelled. 11 new cash & carry wholesale warehouses and 2 new distribution centres commenced operations during 1964. The 185,000 square foot distribution centre in London, Ontario will serve the growing industrial complex in southwestern Ontario. The smaller distribution centre in Kirkland Lake will serve the rich mining

areas of Northern Ontario. A new distribution centre is planned for Sudbury and construction will begin during 1965.

## Acquisition

Early in 1964 your company acquired for cash all the outstanding shares of A. A. Drouin Inc. in Amos, Quebec. The Drouin company, the largest wholesale food distributor and voluntary group sponsor in northwestern Quebec, serves a progressive group of 44 affiliated food markets in this rapidly developing area of Quebec.

## National Drug

In May, 1964, your company acquired effective control of National Drug & Chemical Company of Canada Limited, the nation's largest drug distributors. The organizational structure and operational procedures of National Drug are now being revised and your Directors are confident that your company's investment in National Drug will prove to be most profitable within a relatively short time. The establishment of a voluntary group called Associated Retail Pharmacists (A.R.P.) has met with considerable success and over 500 such units are now associated with National Drug. Integration of the warehousing facilities of National Drug and M. Loeb Limited has already begun and continuing stress on integration of warehousing and merchandising arrangements should prove beneficial to both companies. Some additional comments re the acquisition of National Drug may be found elsewhere in this report.

## M. Loeb Corporation

Your company holds an option to acquire all the outstanding shares of M. Loeb Corporation, Chicago, which holds the IGA franchise for most of Illinois and portions of Indiana and Iowa—an area which contains a population of 18,000,000. Your Directors believe that this company's growth and development potential is outstanding. The option will not be exercised until the acquisition will enhance the consolidated per share earnings of M. Loeb Limited.

## Loeb—City Products Limited

On April 9, 1965, your company announced the establishment of a new enterprise in Canada called "Loeb—City Products Limited". This new organization, in which your company holds a majority interest, will sponsor a voluntary group of variety stores, primarily in the provinces of Ontario and Quebec. City Products Corporation of the United States will provide the marketing skills and merchandising techniques required by this new company while M. Loeb Limited will supply the warehousing and operational facilities. City Products Corporation, which had sales in 1964 of almost $400,000,000 is primarily engaged in servicing and supplying thousands of "Ben Franklin" and other general merchandise outlets in the U.S.A. Many of the variety stores sponsored by this new company will be operated in conjunction with existing IGA stores or with new IGA stores now being planned. They will be called "Cartier" stores, commemorating a great Canadian historical figure. Your Directors are convinced that, as a result of its investment in National Drug and Loeb–City Products Limited, your company will soon become established as Canada's major wholesale supplier and franchiser of food (IGA), drug (ARP) and variety stores (Cartier).

## Financing

The financial condition of your company remains good, with adequate short-term financing available as required. Improved techniques of cash management and scientific inventory management which have been introduced should further improve the company's cash position.

## Future Outlook

Substantial increases in sales and earnings are projected for the 1965-66 fiscal year. Your company plans to open 8 new cash and carry warehouses during the year. 24 new IGA Foodliners will be operating by the end of the year or will be under construction at that time. Present plans call for the renovation, remodelling or expansion of 42 existing IGA Foodmarkets.

## Appreciation

Your company's ability to expand at a rate far above the industry average is a tribute to the hard-working team of young and aggressive people working at staff headquarters in Ottawa and at the various divisions. These people have demonstrated their ability to work as a team, their complete dedication to the company, and their determination to see it maintain the growth pattern established over the past few years. To all of them the Board expresses its genuine appreciation.

To our shareholders, our franchisees, our suppliers and associates, we record our deep gratitude for their loyalty and support.

Respectfully submitted,

Bertram Loeb

BERTRAM LOEB, President.

Consolidated Statement of

# INCOME AND RETAINED EARNINGS

FISCAL YEAR ENDED JANUARY 30, 1965

*(with comparative figures for the preceding fiscal year)*

| | Fifty-three weeks ended January 30 1965 | Fifty-three weeks ended January 25 1964 |
|---|---|---|
| SALES | $173,055,271 | $140,396,914 |
| COSTS AND OPERATING EXPENSES | | |
| Cost of goods sold | 162,091,964 | 131,035,707 |
| Operating expenses (Note 11) | 7,063,326 | 6,479,809 |
| Depreciation on buildings and equipment | 343,702 | 263,910 |
| Amortization—franchise cost and debenture discount and expenses | 43,007 | 32,523 |
| Amortization—other deferred charges | 73,722 | 105,222 |
| Debenture interest | 138,349 | 150,313 |
| Bank interest | 322,992 | 250,060 |
| | 170,077,062 | 138,317,544 |
| Interest earned | 168,799 | 131,994 |
| | 169,908,263 | 138,185,550 |
| NET OPERATING INCOME BEFORE TAXES | 3,147,008 | 2,211,364 |
| INCOME TAXES | 1,565,686 | 1,117,206 |
| NET OPERATING INCOME | 1,581,322 | 1,094,158 |
| RETAINED EARNINGS AT BEGINNING OF PERIOD | 3,179,943 | 2,939,011 |
| | 4,761,265 | 4,033,169 |
| Adjustments of Prior Periods' Income (net) | | 6,490 |
| Write off of Cost of Intangible Assets of Subsidiaries (Note 3) | (1,000,000) | (700,000) |
| | 3,761,265 | 3,339,659 |
| DIVIDENDS PAID | 249,297 | 159,716 |
| RETAINED EARNINGS AT END OF PERIOD | $ 3,511,968 | $ 3,179,943 |

Consolidated Statement of

# FINANCIAL POSITION

JANUARY 30, 1965
*(with comparative figures as at January 25, 1964)*

| | January 30 1965 | January 25 1964 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 477,647 | $ 216,509 |
| Marketable securities, at cost (Market value 1965—$189,685, 1964—$187,162) | 187,939 | 216,183 |
| Accounts receivable, less allowance for doubtful accounts | 7,285,252 | 5,753,595 |
| Inventory, at cost | 8,079,822 | 6,107,876 |
| Advances for retail store development | 893,923 | 1,256,746 |
| Prepaid expenses | 198,018 | 132,311 |
| | 17,122,601 | 13,683,220 |
| **INVESTMENTS AND OTHER ASSETS** | | |
| Investment in National Drug and Chemical Company of Canada Limited, at cost (Notes 1 and 4) | 1,658,873 | |
| Investments and advances, at cost | 574,077 | 387,308 |
| Unamortized franchise cost (Note 5) | 388,407 | 419,051 |
| Unamortized debenture discount and expenses (Note 6) | 90,056 | 102,419 |
| Other deferred charges (Note 7) | 72,444 | 157,168 |
| | 2,783,857 | 1,065,946 |
| **FIXED ASSETS** (Note 8) | | |
| Equipment and fixtures | 3,224,323 | 2,383,979 |
| Land and buildings | 380,279 | 186,999 |
| Sundry | 341,512 | 199,207 |
| | 3,946,114 | 2,770,185 |
| Accumulated depreciation | 1,853,929 | 1,534,083 |
| | 2,092,185 | 1,236,102 |
| **INTANGIBLE ASSETS OF SUBSIDIARIES, AT COST LESS AMOUNTS WRITTEN OFF** (Note 3) | 1,912,802 | 2,544,194 |
| | $23,911,445 | $18,529,462 |

Approved on behalf of the Board:

NORMAN A. LOEB, Director

BERTRAM LOEB, Director

ASSETS

| | January 30 1965 | January 25 1964 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Bank loans | $ 4,530,209 | $ 3,406,418 |
| Accounts payable and accrued liabilities | 8,462,857 | 6,710,769 |
| Income taxes payable | 762,542 | 615,197 |
| Sinking fund and mortgage payments due within one year | 125,000 | 140,932 |
| | 13,880,608 | 10,873,316 |
| **LIABILITIES NOT DUE WITHIN ONE YEAR** | | |
| Bank loans | 1,615,915 | |
| 6½% sinking fund debentures—Series A (Note 6) | 2,000,000 | 2,125,000 |
| 6% mortgage payable | | 8,032 |
| | 3,615,915 | 2,133,032 |
| **ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS** (Note 9) | 203,490 | 202,922 |
| **SHAREHOLDERS EQUITY** | | |
| Capital Stock (Note 10) | | |
| Authorized— | | |
| 6,000,000 shares without par value | | |
| Issued and fully paid— | | |
| 2,507,385 shares (1964—2,426,715) | 2,699,464 | 2,140,249 |
| Retained earnings | 3,511,968 | 3,179,943 |
| | 6,211,432 | 5,320,192 |
| | $23,911,445 | $18,529,462 |

LIABILITIES

# EXPLANATORY NOTES

To Consolidated Financial Statements

JANUARY 30, 1965

**Principles of Consolidation**

**1.** (a) All subsidiaries of M. Loeb Limited are wholly owned and the consolidated financial statements include their accounts as well as those of the parent company.

(b) The consolidated statement of income and retained earnings includes the operating results of all subsidiaries for the full fiscal year ended January 30, 1965.

(c) National Drug and Chemical Company of Canada Limited is not a subsidiary of M. Loeb Limited and the results of its operations are therefore not included in the consolidated statement of income and retained earnings. The investment in National Drug is shown in the consolidated balance sheet at cost. Dividends of $6,498 received by M. Loeb Limited on the preferred shares of National Drug have been included in income for the year.

**Fiscal Year End**

**2.** The Company's fiscal year end is the last Saturday in January.

**Acquisition of Subsidiaries**

**3.** (a) During the year the Company acquired for cash all the issued and outstanding shares of A. A. Drouin Inc., Amos, Quebec.

(b) The excess of cost of shares of subsidiaries over book value of net assets acquired may be regarded as the price paid by M. Loeb Limited for the intangible assets of companies which are now wholly owned subsidiaries. These intangible assets include earning power derived from IGA franchise rights and business goodwill built up over years of successful operations. During the year ended January 30, 1965, $1,000,000 of this excess was written off against retained earnings. $700,000 was written off in the preceding year.

**Investment in National Drug**

**4.** During the year the Company acquired for cash 92,173 common and 20,905 convertible preferred shares of National Drug and Chemical Company of Canada Limited. In addition, National Drug and Chemical Company of Canada Limited granted M. Loeb Limited an option to purchase 100,000 unissued common shares at $14.50 per share exercisable at any time and from time to time up to and including June 15, 1967.

As at January 30, 1965, M. Loeb Limited owned 22.8% of the issued and outstanding common and preferred shares of National Drug and Chemical Company of Canada Limited and had effective control of that company. If and when the option is exercised M. Loeb Limited will own 35.8% of the outstanding shares of National Drug and Chemical Company of Canada Limited.

The market value of the common and convertible preferred shares as at January 30, 1965 was $11.875 and $14.50 per share respectively.

**Unamortized Franchise Cost**

**5.** M. Loeb (London) Limited, formerly Foodway Distributors Limited, acquired its IGA franchise in 1959 for an outright payment of $491,649. This franchise cost is being amortized over a period of 25 years at the rate of $19,666 per annum.

**6½% Sinking Fund Debentures —Series A**

**6.** (a) The debentures are redeemable out of sinking fund moneys at the principal amount plus a premium of 2½% if redeemed before May 1, 1967, the premium thereafter decreasing ½% each three-year period to May 1, 1979. Redemption otherwise than out of sinking fund moneys requires a premium double that which would be payable if redemption were out of the sinking fund. A sum sufficient to retire $125,000 principal amount of debentures is required to be set aside annually.

(b) Discount and expenses on the issue of the debentures are being amortized over the term of the debentures.

(c) Share purchase warrants attached to the debentures entitle the holder thereof to purchase shares on the basis of 45 shares in respect of each $1,000 debenture at a price of $5.83⅓ per share if exercised on or before May 1, 1967 and $6.66⅔ per share if exercised on or before May 1, 1971.

**Other Deferred Charges**

**7.** These charges, including amounts of a promotional and development nature, were incurred in the fiscal year ended January 13, 1962, and will be fully written off by January 29, 1966.

**Depreciation**

**8.** Depreciation on fixed assets is being recorded on a straight line basis. The rates used for the major categories of fixed assets are as follows:

(i) Automotive equipment—20% of cost per annum.
(ii) Warehouse and office equipment—10% of cost per annum.
(iii) Buildings—2½% of cost per annum.

**Accumulated Tax Reductions Applicable to Future Years**

**9.** Taxable income for the current year is less than the net operating income before taxes shown in the financial statements. The main reasons for this difference are:

(i) Capital cost allowances claimed for tax purposes differ from depreciation recorded in the accounts.

(ii) Charges deferred in the accounts were claimed in full for tax purposes in the periods incurred.

As a result of this difference, the amount of income taxes actually levied against the earnings of the current year was $17,083 less than the amount shown in the consolidated statement of income and retained earnings. Accumulated tax reductions applicable to future years have been increased by this amount.

**Capital Stock**

**10.** (a) On May 30, 1964, the Company obtained supplementary letters patent subdividing each of the 1,500,000 issued and unissued shares of the Company without par value into three new shares without par value; and increasing the authorized capital of the Company by creating an additional 1,500,000 shares without par value, ranking on a parity with the 4,500,000 new shares resulting from the subdivision. All references to shares in the financial statements are references to the new shares. For comparative purposes all figures prior to May 30, 1964, have been restated in terms of the new shares.

(b) Of the authorized and unissued shares, 102,090 shares are reserved for exercise of share purchase warrants attached to the Series A debentures, and 79,275 shares are reserved under an employee share option plan. As at January 30, 1965, there were 75,275 shares under option at prices ranging from $3.75 to $9.68 per share, including 16,250 shares for which options were granted during the current period.

(c) During the period 8,520 shares were issued for cash to Series A debenture holders for a total consideration of $47,735, 37,050 shares were issued for cash under employee options at prices ranging from $3.75 to $6.60 per share for a total consideration of $191,192 and 35,100 shares were issued for cash at $9.125 per share for a total consideration of $320,288.

**Development Expenses**

**11.** Development expenses recorded during the year relating to the opening of new distribution centres in London and Kirkland Lake, Ontario, the opening of 11 new cash and carry warehouses in the Company's operating areas and the introduction of the IGA program in north-western Quebec, amounting to approximately $180,000, were offset by a net profit of $146,000 realized on the sale of certain property owned by the Company.

**Contingent Liabilities**

**12.** As at January 30, 1965, the Company was contingently liable

(a) In respect of trade paper under discount in the amount of $44,600.

(b) As guarantor of bank loans and mortgages amounting to $2,398,900.

(c) As guarantor or co-signer of equipment purchase contracts totalling $119,000 entered into by franchised retailers.

In the opinion of the directors, the Company has adequate security for any liability which may develop as a result of these guarantees.

**Commitments Under Long Term Leases**

**13.** Under long term leases in effect as at January 30, 1965, the Company is obligated to pay annual rentals aggregating $814,000 for its warehouse and retail facilities and annual rentals aggregating $1,425,900 for retail stores subleased to franchised retailers.

## AUDITORS' REPORT

The Shareholders,
M. Loeb Limited

We have examined the consolidated statement of financial position of M. Loeb Limited as at January 30, 1965, and the related consolidated statement of income and retained earnings for the fifty-three weeks ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The accounts of certain subsidiaries were examined and reported on by other auditors.

In our opinion, based upon our examination and the reports of other auditors, the accompanying consolidated statement of financial position together with the related consolidated statement of income and retained earnings, supplemented by the notes appended thereto, present fairly the financial position of the companies as at January 30, 1965, and the results of their operations for the fifty-three weeks ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

We have also examined the accompanying consolidated statement of changes in working capital which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the changes in the working capital of the companies for the fifty-three weeks ended January 30, 1965.

Ottawa, May 3, 1965.

Welton E. Crawley & Co.

Chartered Accountants.

Consolidated Statement of

# CHANGES IN WORKING CAPITAL

FISCAL YEAR ENDED JANUARY 30, 1965

*(with comparative figures for the preceding fiscal year)*

| | Fifty-three weeks ended January 30 1965 | Fifty-three weeks ended January 25 1964 |
|---|---|---|
| WORKING CAPITAL WAS GENERATED THROUGH | | |
| Profitable operations | $2,053,323 | $1,450,243 |
| Sale of capital stock | 559,215 | 164,524 |
| Bank loans not repayable within one year | 1,615,915 | |
| | 4,228,453 | 1,614,767 |
| WORKING CAPITAL DECREASED BECAUSE OF | | |
| Investment in National Drug | 1,658,873 | |
| Acquisition of new subsidiaries | 586,843 | 22,571 |
| Payment of dividends | 249,297 | 159,716 |
| Reduction of liabilities not due within one year | 133,032 | 1,604,694 |
| Acquisition of fixed assets (net) | 981,550 | 323,780 |
| Other investments and advances (net) | 186,769 | 125,376 |
| | 3,796,364 | 2,236,137 |
| NET INCREASE (REDUCTION) IN WORKING CAPITAL | 432,089 | (621,370) |
| WORKING CAPITAL AT BEGINNING OF PERIOD | 2,809,904 | 3,431,274 |
| WORKING CAPITAL AT END OF PERIOD | $3,241,993 | $2,809,904 |

# DIVISION OF SALES REVENUE

| | Fifty-three weeks ended January 30 1965 | Fifty-three weeks ended January 25 1964 |
|---|---|---|
| Cost of merchandise sold | 93.6% | 93.3% |
| Operating expenses (other than expenses not affecting working capital) | 4.1% | 4.6% |
| Net interest expense | .2% | .2% |
| Income taxes (based on taxable income) | .9% | .8% |
| Working capital generated | 1.2% | 1.1% |
| | 100.0% | 100.0% |

EXPANSION THROUGH CO-OPERATIVE EFFORT...

# THE VOLUNTARY GROUP CONCEPT

*Co-operation Strengthens Independence*

Manufacturer

Distribution Specialist

Retailer

Perhaps the greatest economic phenomenon of the last decade has been the emergence and growth of the voluntary group concept in merchandising. Thousands of retailers have come to realize that by becoming members of a successful and aggressive merchandising team they can enjoy the advantages of co-operation without sacrificing their independence. They can reap the rewards of their own personal effort and individual ingenuity and at the same time can meet the competition of corporate chains by utilizing the purchasing power, merchandising aids and other services that the voluntary group sponsor provides.

That this method of distribution has won the acceptance of consumer, retailer and manufacturer is clearly demonstrated by the remarkable growth of voluntary groups during the past few years. Independent retailers have invested substantial amounts in the remodelling and expansion of existing stores and the construction of new supermarkets. Many of the stores owned by members of voluntary groups are now as large and well equipped as the corporate chain stores. The merchandising programs provided by voluntary group sponsors are second to none and enable the retailers to operate profitably and enjoy wide consumer acceptance.

The independent retailer of yesterday, who sold on credit from a small neighborhood store, whose merchandising methods were obsolete, who had to sell at higher prices to make a fair profit, has been replaced by the independent affiliated retailer who has modernized his store operation without sacrificing the personal touch. Manufacturers, once skeptical of the ability of the independent to survive in what they regarded as the era of the corporate chains, now recognize that the voluntary groups have assumed a position of primary importance in merchandising.

The impact of the voluntary group concept has been greatest in the food business, but its influence is growing rapidly in other fields. Successful voluntary groups have been established to distribute drugs and auto parts and to provide car rental service and hotel accommodation. The voluntary group concept has been successful because it is based on the free enterprise system of individual effort and ingenuity, strengthened through co-operative effort.


Loeb Management Conference, Ottawa, February, 1965

## CO-OPERATIVE PLANNING

*For Continuing Growth*

On February 12, 13, and 14, 1965, 104 persons representing the senior management of M. Loeb Limited and subsidiaries, National Drug & Chemical Company of Canada Limited, Horne & Pitfield Foods Limited, and M. Loeb Corporation, Chicago, met in Ottawa. During this management conference current trends were reviewed, immediate objectives were set, and long range plans were unfolded.

All attendees participated actively in workshops, panels, and brain storming sessions. Presentations were made by a number of senior employees and guest speakers who are experts in their fields.

The subjects reviewed and discussed during the first day of the conference included staff and line responsibilities, effective means of cost control, and the importance of clear and adequate communication between employees at all levels.

President's Trophy—A. Bookman accepting award for Cash and Carry Division

On the second day the attendees considered how the sales and earnings objectives for the 1965-66 fiscal year could best be achieved and gave particular attention to the importance of training programs, private label merchandise, and increased efficiency in operations. Long range plans for development and expansion of National Drug & Chemical Company of Canada Limited, Canada's largest wholesale drug distributors, were outlined by the president of that company, Gordon J. Odell.

The theme of the conference was "205 in 65"—a reference to the sales objective for the fiscal year which ends on January 29, 1966. Throughout the conference it was stressed that sales of $205 million in 1965-66 should materially increase earnings as a percentage of sales.

# EXPANSION THROUGH RETAILER GROWTH

*M. Loeb Limited Grows with its Customers*

These are only a few of the many
Loeb-IGA success stories.

### Romeo Paquette et Emile Grenon

Sudbury and Kirkland Lake Divisions.

The P & G IGA Foodmarkets serviced by the Sudbury and Kirkland Lake Division of M. Loeb Limited represent another Loeb-IGA success story. In 1938 Romeo Paquette and Emile Grenon became partners in Larder Lake, Ontario with a small 24′ x 26′ corner grocery store. Today, with long experience in the retail food business behind them, they own and operate six modern IGA Foodliners and have interests in two others. In 1961, the year they joined IGA, Romeo and Emile operated four stores. The same year they opened the 9,000 square foot P & G IGA Foodliner in New Liskeard, Ontario. The 4,000 square foot P & G IGA Foodliner in Ville Marie, Quebec was opened the following year. The partners also have interests in the very successful Lasalle IGA Foodliner in Sudbury which was opened in 1963 and the Bancroft IGA Foodliner in Minnow Lake, Ontario which was opened late in 1964. Romeo and Emile have prospered under the IGA program. In turn their success has been an important factor in making IGA the leading food retail organization in Northern Ontario.

P & G IGA Foodliner, Kirkland Lake, Ontario

### Henri Laflamme

Sherbrooke and Ottawa Divisions.

Henri Laflamme has been successful in two divisions of M. Loeb Limited. His association with M. Loeb Limited began in 1952 when he became a charter member in Ottawa. The 10,000 square foot Main IGA Foodliner in Aylmer, Quebec and the 7,000 square foot Val Tetreau IGA Foodliner in Hull, Quebec attest to his ability and success. On October 30, 1963, Mr. Laflamme opened the Centre d'Economie Familial IGA Foodliner in Drummondville, Quebec and began his association with the Sherbrooke Division of M. Loeb Limited. He opened the Lennoxville IGA Foodliner in Lennoxville, Quebec on August 20, 1964, and the Windsor Mills IGA Foodliner in Windsor Mills, Quebec, on November 24 of the same year. Mr. Laflamme's five modern foodliners are fine examples of the results of close co-operation between M. Loeb Limited and its affiliated retailers.

Windsor Mills IGA Foodliner – Grand Opening November 24, 1964

## Fred Robinson
Ottawa Division.

Fred Robinson, a former chain store supervisor, is another charter member of the Ottawa Division, and has been equally successful. In 1952 he brought his Westboro store into IGA. Since that time his company has acquired four more large modern IGA Foodliners. Three years after his City View IGA Foodliner was opened in 1954, expansion became necessary and a new 20,000 square foot Foodliner under the same name was built directly across the street from the old one. The Arnprior IGA Foodliner was opened in Arnprior, Ontario in 1961, the Lynwood IGA Foodliner at Bells Corners, Ontario in 1962, and the Wellington IGA Foodliner in Ottawa, Ontario in 1964. The Arnprior IGA Foodliner was recently remodelled and enlarged to cope with increased business. Fred Robinson has made his business a family affair. Mrs. Robinson and Bob, his eldest son, have been involved from the beginning, while Ken and Derek joined at a later date.

Lynwood IGA Foodliner, Bells Corners, Ontario

## Henri Joanisse
Ottawa Division.

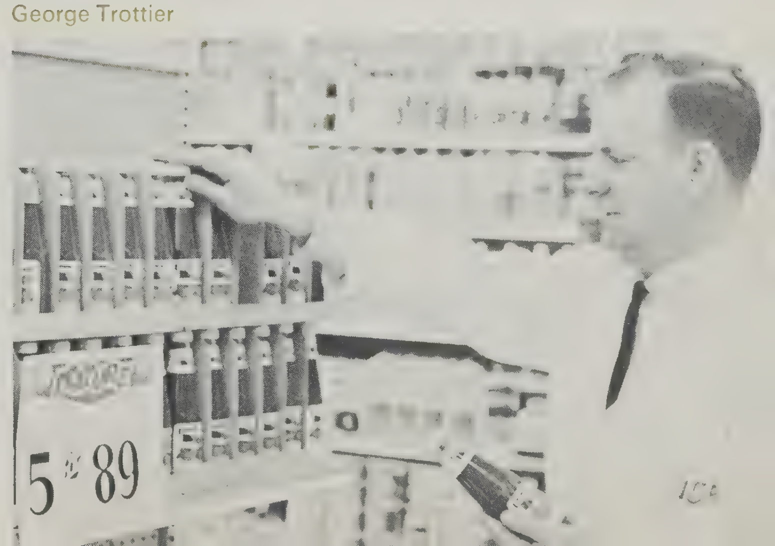
Henri Joanisse, one of the charter IGA members of the Ottawa Division, owns and operates four modern IGA foodliners. In 1952, he brought his 3,000 square foot store into the Independent Grocers Alliance. He opened the 7,000 square foot Manor Park IGA Foodliner in Ottawa, Ontario in 1956, the 11,000 square foot Beechwood IGA Foodliner in Eastview, Ontario in 1961, and the 13,500 square foot McArthur IGA Foodliner also in Eastview in 1964. His sons Paul and Michael manage the Beechwood and McArthur stores. The Joanisse stores have proven extremely successful and further expansion is planned for the future.

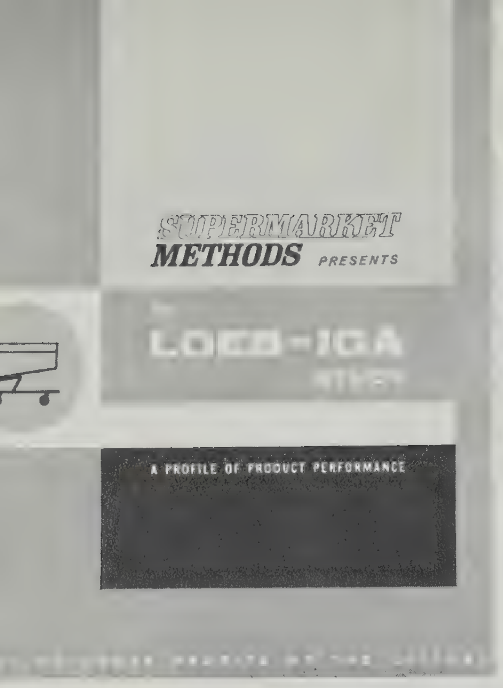

Henri Joanisse

## George Trottier
London Division.

George Trottier brought his 6,000 square foot store in Aylmer, Ontario, into IGA in 1961. In November of the same year he opened the 10,000 square foot Delhi IGA Foodliner in Delhi, Ontario, and in 1963, the 12,000 square foot Tillsonburg IGA Foodliner in Tillsonburg, Ontario. The rapid growth of Mr. Trottier's business in three short years with IGA demonstrates the tremendous potential of the London Division of M. Loeb Limited.

George Trottier






The Loeb-IGA Study

# EXPANSION THROUGH MANUFACTURER CO-OPERATION

*M. Loeb Limited Grows with its Suppliers*

The voluntary group concept of food distribution is based on co-operation between manufacturer, distribution specialist and retailer. This three-way working arrangement has proven extremely effective and manufacturers now recognize the importance of the growth potential of the distribution specialists who sponsor voluntary groups.

The 345 IGA stores associated with your company in the Provinces of Ontario and Quebec comprise a new and expanding market for manufactured products. Modern methods of advertising through such media as television, radio, magazines and newspapers create a constant demand for products, many of which are similar in type and quality. But the final buying decision is made in the store, and as a result manufacturers depend more than ever on aggressive retailers and distribution specialists to stock, display, and feature their products.

Manufacturers, distribution specialists and retailers have been able to establish extremely effective co-operative working arrangements and several manufacturers have their representatives working directly in IGA stores assisting retailers to merchandise their products. Co-operating manufacturers have helped M. Loeb Limited win many special awards, including awards given during the National Cheese Festival, National Apple Week and Tea Council of Canada Week.

The recently completed Loeb-IGA study took months of intensive research. This is the first gross profit, sales, space usage study ever presented to the Canadian food industry on a Canadian supermarket operation. It represents new areas of product knowledge, new avenues for increasing sales and new methods to gauge a product's performance. This information has never before been available.

The Loeb organization and Supermarket Methods believe that the Loeb-IGA study report contains material which will be of inestimable value to all segments of the food industry. The report findings should foster greater understanding between manufacturers, distribution specialists, and retailers and should help to usher in an era of even greater co-operation in the future.

Mr. Bertram Loeb receiving Canadian Cheese Festival Award for Fourth consecutive year

# INCREASED AND IMPROVED SERVICES

*The welfare of the retailer is M. Loeb Limited's first concern*

The modern progressive distribution specialist sponsoring a voluntary group must provide his member stores with a wide variety of services—a complete sales-service program embodying general supervision of grocery, meat, produce and perishables operations. The following services are essential parts of any effective sales-service program:

**Store Engineering Service**—to assist the retailer in planning the construction and equipping of new stores and the remodelling, expansion, and modernizing of existing stores.

Planning a new store

Training meat department personnel

**Store Site Selection Service**—to provide the retailer with a professional evaluation of the growth and profit potential of new store sites.

**Building Construction Service**—to provide the retailer with preparatory estimates of construction costs, architectural services as required and supervision of the actual construction.

**Retail Training School Service**—to assist the retailer in training department managers and others in the latest techniques of supermarket operation.

**Retail Accounting Service**—to provide the retailer with accurate and up to date operating information and to help him to achieve an adequate return on his investment.

**Financial and Legal Advisory Service**—to assist the retailer by providing skilled professional advice on financial lease arrangements, budgetary problems and similar matters.

**Merchandising Service**—to assure continuing sales growth by providing the retailer with planned merchandising programs and advising on such matters as product sales mix.

**Specialty Services**—to assist the retailer to organize and maintain effective Non Food and Health and Beauty Aid departments which help to make his store a one stop shopping centre and contribute substantially to the profitability of his operation.

**Advertising Service**—to assist the retailer by providing extensive advertising support for the merchandising program.

New Warehouse, London, Ontario

# BETTER FACILITIES MEAN BETTER SERVICE

*M. Loeb Limited Grows Through Modernization*

If M. Loeb Limited is to expand it must continue to provide the best service at the lowest cost. Low cost distribution is essential to the growth of any voluntary group. Independent retailers cannot meet the competition of large food chain supermarkets unless they are supported by a cost conscious distribution specialist.

The new 185,000 square foot warehouse constructed in London, Ontario by M. Loeb (London) Limited incorporates the most recent advances in distribution methods, and will satisfy the requirements of our retailers for many years to come. Ample space has been provided for additional lines of merchandise and large reserve stock. Full advantage can be taken of low cost bulk buying. The most modern automated material handling systems have been installed to speed up the unloading, storing, assembling, and shipping of merchandise.

The London warehouse contains the most modern refrigerated temperature-controlled facilities in Canada, capable of handling huge quantities of fresh produce, dairy products, frozen foods and other perishables.

IGA retailers in the London and southwestern Ontario regions now have a highly efficient supply depot designed to meet their requirements for many years to come.

New Warehouse, Kirkland Lake, Ontario

On a smaller scale the warehouse constructed in Kirkland Lake, Ontario, by M. Loeb Limited places at the disposal of our northern Ontario retailers wholesale distribution facilities unsurpassed in that region.

To fulfill the needs of our unaffiliated retail customers, eleven modern cash & carry warehouses were built and opened during the 1964-65 fiscal year. These warehouses are, in effect, modern, low cost, one-floor, wholesale supermarkets at which owners of small grocery stores, confectionery stores, variety stores, restaurants and other retail outlets can buy at low prices made possible by reductions in the costs of selling, delivery, and credit.

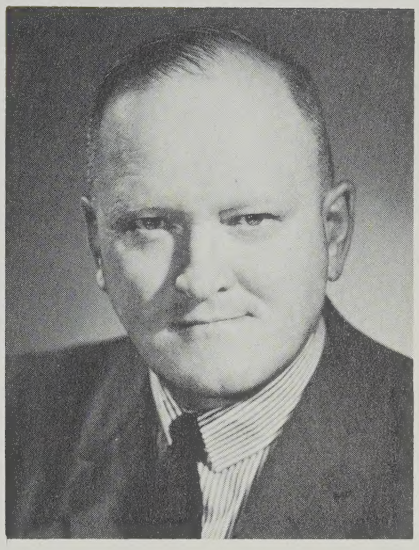
The policy of M. Loeb Limited is to continue to modernize, up-grade and improve all its physical distribution facilities with the object of reducing costs and improving operating efficiency. Both retailers and consumers will share in the benefits which will flow from these cost reductions.

# NATIONAL DRUG & CHEMICAL COMPANY OF CANADA LIMITED

*M. Loeb Limited Grows Through Acquisition and Investment*

In May, 1964 your company acquired effective control of National Drug & Chemical Company of Canada Limited, Canada's largest wholesale drug distributors. National Drug maintains branches in 17 cities from coast to coast and in addition owns and operates manufacturing facilities and a selling agency. Like M. Loeb Limited, National Drug is a distribution specialist, and your management feels that this investment offers exceptional opportunities for growth and increased profits through the application of distribution techniques which have proved effective for M. Loeb Limited.

National Drug now has 500 Associated Retail Pharmacists (ARP Stores) operating as a voluntary group in the Maritimes, Ontario, and Western Canada. These stores advertise as a group and their merchandising program is similar in many respects to the program used successfully in the past by IGA stores. Your company is confident that, in the development of the ARP program, the experience which M. Loeb Limited has gained over many years as a result of its association with IGA will prove to be extremely useful.



Gordon J. Odell, President, National Drug


ARP Store window display

National Drug section, new London Warehouse

The wholesale drug distributor provides a service much needed by manufacturer and retail pharmacist. Unfortunately, National Drug has not kept pace with changing times and conditions over the past few years, and facilities have not been upgraded. As a result, efficiency and earnings have declined, and the company's image has suffered. It is the opinion of your senior management that, with new and better facilities, a new image, and dedicated and enterprising people the full growth potential of National Drug can be realized.

## M. LOEB LIMITED AND SUBSIDIARIES

*The Divisions Which Contribute to Company Growth*

### DISTRIBUTION CENTRES

AMOS, Quebec
A. A. DROUIN INC.

KIRKLAND LAKE, Ontario
M. LOEB LIMITED

LONDON, Ontario
M. LOEB (LONDON) LIMITED

MONTREAL, Quebec
GEORGES PAINCHAUD INC.

OTTAWA, Ontario
M. LOEB, LIMITED

SHERBROOKE, Quebec
M. LOEB
(SHERBROOKE) LIMITÉE

SUDBURY, Ontario
M. LOEB LIMITED

### CASH AND CARRY WAREHOUSES

BROCKVILLE, Ontario
CHATHAM, Ontario
CORNWALL, Ontario
EASTVIEW, Ontario
GRANBY, Quebec

HAWKESBURY, Ontario
HULL, Quebec
LONDON, Ontario
MONTREAL, Quebec (2)
OTTAWA, Ontario (2)

PEMBROKE, Ontario
SHERBROOKE, Quebec (2)
SUDBURY, Ontario
ST. JEAN, Quebec
WATERLOO, Ontario

HAMMOND, Indiana
ROCKFORD, Illinois

### OTHER DIVISIONS

ALLIED RECORD CORPORATION
MONTREAL, QUEBEC

CASSELMAN CREAMERY LIMITED
CASSELMAN, Ontario

CAPITAL CITY CARTAGE
(1962) LIMITED
OTTAWA, Ontario

IRVINE & FRANCIS LIMITED
OTTAWA, Ontario

# HIGHLIGHTS OF THE YEAR

- Consolidated sales totalled $173,055,271, an increase of $32,658,357 or 23.3% over the previous year's figure of $140,396,914.

- Consolidated net income after taxes totalled $1,581,322 an increase of $487,164 or 44.5% over the previous year's figure of $1,094,158.

- As a result of continuing improvements in operating efficiency net profit after taxes increased from .78% of sales to .91% of sales.

- Earnings per share amounted to 63¢, an increase of 18¢ or 40.0% over the previous year's figure of 45¢.

- The company acquired for cash all the outstanding shares of A. A. Drouin, Inc. of Amos, Quebec, the largest wholesale food distributor and voluntary group sponsor in northwestern Quebec.

- The company acquired effective control of National Drug and Chemical Company of Canada Limited by the purchase of 22.8% of the issued and outstanding common and convertible preferred shares of the company.

- Construction of new warehouses and offices in London and Kirkland Lake, Ontario was completed. The 185,000 square foot warehouse in London is one of the most modern and best equipped in North America.

- Space was provided in the new London Warehouse for National Drug and Chemical Company of Canada Limited as a first step towards integration of the warehousing facilities of National Drug and M. Loeb Limited.

- 11 new cash & carry warehouses were opened. 6 of these were in the cities of Chatham and Waterloo in Ontario, and Montreal, Granby and St. Jean in Quebec—all in areas never before served directly by your company.

- During the year 22 new IGA Foodliners were constructed and 47 were remodelled.

- Subsequent to the fiscal year end, the company acquired a majority interest in a new Canadian company called Loeb-City Products Limited which will sponsor a voluntary group of variety stores to be called "Cartier" stores.

M. LOEB LIMITED, 400 INDUSTRIAL AVENUE, OTTAWA 8, ONTARIO, CANADA

DISTRIBUTION SPECIALISTS

Food, Tobacco Products, Drugs and General Merchandise